

**BY HAND**

W. Timothy Lough, Ph. D., P.E.  
Special Projects Engineer  
Division of Energy Regulation  
State Corporation Commission  
Tyler Building, 4<sup>th</sup> Floor  
Richmond, Virginia 23218

July 19, 2005

Dear Dr. Lough:

This letter is to provide Appalachian Power Company's ("Appalachian" or "Company") response to your letter of June 22, 2005 concerning procedures for the consideration of underground transmission lines in State Corporation Commission proceedings.

Appalachian agrees with your conclusion on page 2 of the letter that SB783 "neither adds nor subtracts from the Commission's present authority to consider underground alternatives to the transmission line routing proposed by a utility in a proceeding before the Commission." However, that legislation implies that changes should be made by the Commission. In particular, the legislation could be read to suggest that the Commission change its procedures to permit localities to dictate the quantity and quality of evidence that a utility must produce in the first instance to show that an underground line should or should not be approved in any particular case.

The Company does not endorse the creation of a procedure by which localities should be able to request that utilities produce certain evidence in the first instance. Localities have the opportunity to participate in Commission proceedings and produce evidence on any aspect of a transmission line proposal. In response to questions 1 and 2 in your letter, localities should continue to be permitted to participate in Commission proceedings but should not be required to do so. If a locality chooses to participate, it should be permitted to produce the evidence it deems appropriate to support its proposals based on present public interest standards.

With respect to question 3, the Company notes that current Commission scheduling orders normally specify when respondents must file testimony, including any justification for undergrounding all or a portion of the line. Localities should continue to be permitted to propose

an alternative to a utility's transmission line proposal at the time set by the Commission for respondents' testimony in each case.

In response to question 4, applicants for authority to construct transmission lines should be free to propose undergrounding all or a portion of the line in their applications but, like localities, should not be required to do so. The Company submits that current rules with respect to the content of utility applications for approval of transmission lines should continue to be applied on a case by case basis. The Commission's procedures should recognize that undergrounding of transmission lines has been necessary and required only in unique and limited circumstances in the past. As a general rule, undergrounding inures to the benefit of a limited number of customers who should also bear the corresponding cost burden of that undergrounding, unless the Commission concludes that the public interest requires a different result on the evidence in exceptional cases.

Question 5 requests comments on any other issue that might be considered in the study. The Company would add only a brief comment in response to that question. The text of SB783 limits its application to localities with a population of 225,000 or more, a stipulation that excludes all of the localities served by Appalachian in Virginia. However, the Company is concerned about the precedent the study might represent with respect to other localities. A change in current Commission requirements necessitating widespread undergrounding of transmission lines could cause the Company significant additional expense to provide its electric service to Virginia customers.

Thank you for the opportunity to comment on this matter. Please add me to the list of participants for the study.

Sincerely,

Barry L. Thomas